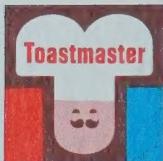


AR52

*Canada Bread  
Company, Limited  
Annual Report*







# Canada Bread Company, Limited

## DIRECTORS

HARRY N. BAWDEN      NORMAN T. CURRIE      J. D. LEITCH  
G. M. MacLACHLAN      W. T. MURCHIE      R. K. PORTER      C. E. SOWARD

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## CORPORATE MANAGEMENT

NORMAN T. CURRIE, President and General Manager  
R. H. BONUS, Vice-President  
L. V. FAYLE, Vice-President—Marketing  
F. BOGDEN, Vice-President—Sales  
L. D. IRWIN, Secretary-Treasurer

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A. ALLIBONE, Manager, Engineering Services  
H. K. BROWN, Controller  
G. F. DEMPSEY, Manager, Data Processing  
C. KORTSCHOT, Director of Product Development  
W. J. LEWICKI, Manager, Production  
A. K. MAHON, Manager, National Accounts  
J. E. MARROTT, Director, Group Sales  
C. E. SCOTT, Manager, Distribution  
H. J. SPARLING, Manager, Industrial Relations

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## AREA MANAGERS

L. S. DAVIES, Toronto      K. L. DIEWOLD, Sudbury  
D. G. HICKINGBOTTOM, London      C. J. WHITE, Windsor      A. McDougall, Montreal  
G. L. PROWSE, Ottawa

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## AUDITORS

CLARKSON, GORDON & CO., Toronto

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## REGISTRARS AND TRANSFER AGENTS

CANADA PERMANENT TRUST COMPANY, Toronto, Montreal

MONTRÉAL TRUST COMPANY, Winnipeg

## **DIRECTORS' ANNUAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 29th, 1968.

### **TO OUR SHAREHOLDERS:**

Results of the Company's operations for the fiscal year ended June 29th, 1968, are substantially better than they were for the previous fiscal year. This recovery from what was a disappointing year is particularly gratifying in that it re-establishes a trend which began in 1964.

Net profit for this fifty-two week period was \$777,135 or \$2.32 per common share, compared with \$512,829 or \$1.46 per common share for the fifty-three week period ended July 1, 1967. The extent of the recovery and the extent to which the favourable trend has been re-established can be seen by a comparison with the 1966 figures—\$674,271 or \$2.01 per common share—and in the earnings figures for the last five years which are set out on the last page of this report.

Net sales totalled \$40,432,043 compared to \$39,328,569 for the fifty-three week period last

year and \$38,586,521—adjusted to fifty-two weeks—representing a sales increase for the year of 4.8%.

It is interesting to note that we have achieved this higher sales volume while effecting major changes in our variety product line (cakes and sweet goods). These changes, which included the discontinuance of low volume or high cost lines; the introduction of new products and improvements of existing products, will continue. It is our objective to achieve a high degree of specialization within product categories and to create and produce products that are distinctively different. Concurrently, of course, we have strengthened and will continue to strengthen our marketing organization.

The effect of all these developments has been to give us the dual benefits of lower production costs along with higher sales volume.

In addition to concentration on product lines and marketing organization, the Company has continued to make the capital expenditures which are necessary for an efficient plant operation. Capital expenditures for bakery equipment, buildings and land, amounted to \$1,086,587—approximately



the same as last year's figure of \$1,047,995. For the current year these expenditures will be increased by a minimum of 10% and we expect this rate of increase will continue. Among the expenditures for the current fiscal year will be outlays to further mechanize operations in our major plants; to improve our distribution facilities and install equipment for the production of a new cake product.

The Company has also continued to reduce its debt. During the year under review this was reduced by \$400,000 and the total debt now stands at \$800,000. After effecting this reduction, our working capital stood at \$567,034 at the fiscal year end—up \$34,223 from the 1967 figure.

Cash at the end of the 1967 fiscal year of \$1,155,921 included the proceeds of a \$1,000,000 bank loan which was used to retire a \$1,219,500 bond issue on October 1, 1967.

In the fiscal year just beginning, wage and salary costs will be \$760,000 higher than they were for the year under review. We expect that the increased prices which were applied to most of our bread products on June 10th, 1968, will partly offset these higher wage and salary costs.

While this indicates that we can, to some extent, cover increases in wage and salary costs by increasing prices, it's obvious that we must look to continued improvements in production and distribution and the strengthening of our marketing position, in terms of products and service, if we are to bring the Company's earnings above the current rate of 6.3% of total assets.

The efforts of our management group during the year have been especially outstanding, with the strong support of our 2,514 employees and franchise dealers.

The Board of Directors wishes to acknowledge the valuable contribution made to this Company by Mr. H. N. Bawden, who is retiring under the arrangements for the retirement of directors, after serving on the Board since 1954.

For the Board of Directors,

M. Lammie  
PRESIDENT

# CONSOLIDATED BALANCE SHEET / CANADA BREAD COMPANY

**JUNE 29, 1968**

(with comparative figures at July 1, 1967)

ASSETS	<u>1968</u>	<u>1967</u>
<b>Current:</b>		
Cash - - - - -	\$ 267,460	\$ 1,155,921
Accounts receivable - - - - -	2,560,989	2,498,103
Inventories of ingredients, finished products and supplies, valued at the lower of cost and market - - - - -	1,127,573	1,177,646
Prepaid expenses - - - - -	304,959	372,206
<b>Total current assets</b> - - - - -	<u>4,260,981</u>	<u>5,203,876</u>
<b>Investment in McGavin ToastMaster Limited (at cost):</b>		
402,500 fully paid non-assessable non-voting Class A common shares without par value - - - - -	402,500	402,500
<b>Fixed:</b>		
Land—cost - - - - -	408,913	408,438
Buildings—cost - - - - -	3,871,482	3,638,427
Bakery and other equipment—cost - - - - -	12,621,455	12,155,518
<b>Less accumulated depreciation</b> - - - - -	<u>16,901,850</u>	<u>16,202,383</u>
	<u>9,243,619</u>	<u>8,663,554</u>
	<u>7,658,231</u>	<u>7,538,829</u>
<b>On behalf of the Board:</b>		
NORMAN T. CURRIE, <i>Director</i>		
C. E. SOWARD, <i>Director</i>		
	<u><u>\$12,321,712</u></u>	<u><u>\$13,145,205</u></u>

(See accompanying notes to

To the Shareholders of Canada Bread Company, Limited:

We have examined the consolidated balance sheet of Canada Bread Company, Limited and its subsidiary companies as at June then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and oth

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 29, 1968 with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Toronto, Canada,  
August 12, 1968.

**AUDITO**



**MITED** (INCORPORATED UNDER THE LAWS OF ONTARIO) AND ITS SUBSIDIARY COMPANIES

**LIABILITIES**

	<b>1968</b>	<b>1967</b>
<b>Current:</b>		
Bank loans and overdrafts (partly secured)	\$ 742,679	\$ 630,025
Accounts payable and accrued liabilities	1,686,044	2,006,978
Payable to affiliated companies	578,604	731,061
Estimated income taxes payable	593,065	83,501
Dividends payable	93,555	
Funded debt due within one year		<u>1,219,500</u>
Total current liabilities	3,693,947	<u>4,671,065</u>
7% bank loan payable \$200,000 per annum July 15, 1969 to 1972 (secured by 7% serial debentures)	800,000	1,200,000
Deferred income taxes	1,456,000	1,460,000
<b>Shareholders' equity:</b>		
Capital (note 1)—		
Authorized:		
50,000 preference shares with a par value of \$49 each, issuable in series		
1,000,000 common shares of no par value		
Issued:		
25,000 \$2.75 cumulative preference shares, Series A, redeemable at \$52.75 per share	1,225,000	1,225,000
305,470 (1967—305,075) common shares	80,365	<u>78,390</u>
	1,305,365	<u>1,303,390</u>
Earned surplus	5,066,400	<u>4,510,750</u>
	6,371,765	<u>5,814,140</u>
	<u>\$12,321,712</u>	<u>\$13,145,205</u>

dated financial statements)

**REPORT**

68 and the consolidated statements of profit and loss, earned surplus and source and application of funds for the fifty-two week period reporting evidence as we considered necessary in the circumstances.

The results of their operations and the source and application of their funds for the fifty-two week period then ended, in accordance

CLARKSON, GORDON & CO.  
Chartered Accountants

# CANADA BREAD COMPANY, LIMITED

AND ITS SUBSIDIARY COMPANIES

## **CONSOLIDATED STATEMENT OF PROFIT AND LOSS**

**FIFTY-TWO WEEK PERIOD ENDED JUNE 29, 1968**

(with comparative figures for the fifty-three week period ended July 1, 1967)

	1968	1967
Sales - - - - -	<u>\$40,432,043</u>	<u>\$39,328,569</u>
Cost of sales, selling and administrative expenses exclusive of the items listed below - - - - -	37,387,142	36,850,411
Depreciation - - - - -	904,933	815,853
Contribution to employees' pension plans - - - - -	214,903	215,564
Interest on funded debt - - - - -	15,271	57,176
Interest on bank loans and deferred liabilities - - - - -	150,926	72,786
Remuneration of directors and senior officers - - - - -	144,733	117,450
	<u>38,817,908</u>	<u>38,129,240</u>
Profit for period before income taxes - - - - -	1,614,135	1,199,329
Income taxes - - - - -	837,000	686,500
Net profit for period - - - - -	<u>\$ 777,135</u>	<u>\$ 512,829</u>

## **CONSOLIDATED STATEMENT OF EARNED SURPLUS**

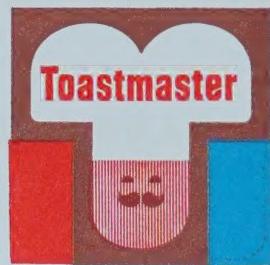
**FIFTY-TWO WEEK PERIOD ENDED JUNE 29, 1968**

(with comparative figures for the fifty-three week period ended July 1, 1967)

	1968	1967
Balance, beginning of period - - - - -	\$ 4,510,750	\$ 4,264,301
Add:		
Net profit for period - - - - -	<u>777,135</u>	<u>512,829</u>
	<u>5,287,885</u>	<u>4,777,130</u>
Deduct:		
Dividends—		
On \$2.75 Series A preference shares - - - - -	68,750	68,750
On common shares (1968—50¢ per share; 1967—45¢ per share) - - - - -	152,735	136,580
Loss on disposal of properties - - - - -	<u>221,485</u>	<u>61,050</u>
	<u>266,380</u>	
Balance, end of period - - - - -	\$ 5,066,400	\$ 4,510,750

# CANADA BREAD COMPANY, LIMITED

AND ITS SUBSIDIARY COMPANIES



## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FIFTY-TWO WEEK PERIOD ENDED JUNE 29, 1968

(with comparative figures for the fifty-three week period ended July 1, 1967)

	1968	1967
<b>Funds provided:</b>		
Net profit for period	\$ 777,135	\$ 512,829
Depreciation charged to operations	904,933	815,853
Deferred income taxes	248,000	
Book value of fixed asset disposals	199,452	153,200
Increase in deferred liabilities	855,411	
Issue of share capital	1,975	21,730
	<u>1,883,495</u>	<u>2,607,023</u>
<b>Funds expended:</b>		
Fixed asset expenditures—		
Land, buildings and bakery equipment	1,086,587	1,047,995
Distribution equipment	137,200	501,030
Reduction of funded debt not due within one year		1,237,500
Reduction in deferred liabilities	400,000	
Reduction in minority interest	13,704	
Dividends to shareholders	221,485	205,330
Loss on disposal of properties	61,050	
Reduction in deferred income taxes	4,000	
	<u>1,849,272</u>	<u>3,066,609</u>
Increase (decrease) in working capital	<u>\$ 34,223</u>	<u>\$ (459,586)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JUNE 29, 1968

1. During the year options for the purchase of common shares, granted in previous years, were exercised for 395 common shares at \$5.00 per share. At June 29, 1968 common share purchase options were outstanding for 1,150 shares at \$5.00 each, 6,160 shares at \$9.50 each and 1,400 shares at \$13.00 each.

These options which expire ten years after the granting thereof are exercisable each year to the extent of 10% of the total number of shares covered by the option and contain provisions for termination on cessation of employment.

2. The companies lease certain properties for annual rentals aggregating \$95,000 under long-term leases extending to various dates from 1976 to 1986.

# CANADA BREAD COMPANY, LIMITED

AND ITS SUBSIDIARY COMPANIES

## FIVE YEAR COMPARISON

	1968	1967	1966	1965	1964
<b>Operating Profit</b>					
before the following - - - - -	\$2,900,168	\$2,360,708	\$2,526,650	\$2,494,104	\$2,141,233
Depreciation - - - - -	904,933	815,853	758,698	748,266	733,589
Contribution to employees' pension plans - - - - -	214,903	215,564	137,293	62,906	107,510
Interest on bank loans and long-term debt - - - - -	166,197	129,962	136,388	147,491	164,528
Income taxes - - - - -	837,000	686,500	820,000	880,000	607,000
<b>Net Profit</b> - - - - -	777,135	512,829	674,271	655,441	528,606
<b>Number of Common Shares Outstanding</b> - - - - -	305,470	305,075	301,170	300,535	300,000
<b>Earnings per Common Share</b> -	2.32	1.46	2.01	1.95	1.53
<b>Dividends declared per Common Share</b> - - - - -	.50	.45	.40	.40	.25





**CONSOLIDATED STATEMENT OF PROFIT AND LOSS**

Twenty-four week period ended December 14, 1968  
 (with comparative figures for the period ended December 16, 1967)

	1968	1967
Sales - - - - -	\$ 19,809,508	\$ 18,964,489
Cost of sales, selling and administrative expenses exclusive of the items listed below - - - - -	18,264,611	17,699,506
Depreciation - - - - -	391,630	378,731
Contribution to employees' pension plans - - - - -	87,119	89,990
Interest on funded debt - - - - -		14,783
Interest on bank loans and deferred liabilities - - - - -	56,179	74,669
Remuneration of directors and senior officers - - - - -	65,832	55,262
	<u>18,865,371</u>	<u>18,312,941</u>
Profit for period before income taxes - - - - -	944,137	651,548
Income taxes - - - - -	517,000	342,754
Net profit for period - - - - -	\$ 427,137	\$ 308,794
Shares outstanding - - - - -	305,860	305,470
Earnings per common share - - - - -	1.28	.90
Dividends declared per common share - - - - -	.25	.25

**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS**

Twenty-four week period ended December 14, 1968  
 (with comparative figures for the twenty-four week period ended December 16, 1967)

	1968	1967
Funds Provided:		
Net profit for period - - - - -	\$ 427,137	\$ 308,794
Depreciation charged to operations - - - - -	391,630	378,731
Book value of fixed asset disposals - - - - -	2,816	11,967
Issue of share capital - - - - -	3,085	1,975
	<u>824,668</u>	<u>701,467</u>
Funds Expended:		
Fixed asset expenditures—		
Land, buildings and bakery equipment - - - - -	312,098	371,554
Distribution equipment - - - - -	160,706	24,041
Reduction in long-term liabilities - - - - -	200,000	211,230
Reduction in minority interest - - - - -		4,422
Dividends to shareholders - - - - -	110,840	110,743
Increase in investment in subsidiary - - - - -		73,328
	<u>783,644</u>	<u>795,318</u>
Increase (decrease) in working capital - - - - -	<u>\$ 41,024</u>	<u>\$ (93,851)</u>

*JL*  
*Canada Bread Company, Limited*

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**DIRECTORS' SEMI-ANNUAL REPORT**

Twenty-four week period ended December 14, 1968



**TO OUR SHAREHOLDERS:**

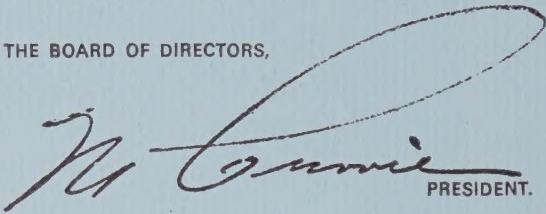
The following is an unaudited report on the Company's operations for the 24 week period which ended on December 14, 1968. The results indicate that the Company is making satisfactory progress toward achieving our sales objectives and that the capital investment and reorganization programs are having the desired effects on efficiency and cost control.

Net profit for the period was \$427,137, or \$1.28 per common share compared with \$308,794 and \$.90 per common share for the corresponding 24 weeks last year.

The improvement in profit was the result of an increase in net sales coupled with continuing increases in production and distribution efficiency. Net sales for the 24 weeks were \$19,809,508—up 4.5 per cent on the \$18,964,489 sold in the same 24 weeks last year.

On December 23rd, 1968, the Company issued \$4,500,000, 8½ per cent, Sinking Fund Debentures. From the proceeds, \$1,100,000 has been used to retire bank loans and the balance will be used for plant and equipment and for strengthening the Company's working capital position. It should be noted that the expenditures for plant and equipment are primarily for the production of new products, and are indicative of the investment required to support a strong marketing position.

FOR THE BOARD OF DIRECTORS,



PRESIDENT.

Toronto, Canada, January 17, 1969.

**CANADA BREAD COMPANY, LIMITED  
and its subsidiary companies**
**CONSOLIDATED BALANCE SHEET**
*As at December 14, 1968 (with comparative figures as at December 16, 1967)*

<b>Assets</b>	<b>1968</b>	<b>1967</b>
<b>Current:</b>		
Accounts receivable - - - - -	\$ 3,446,021	\$ 3,999,172
Inventories of ingredients, finished products and supplies, valued at the lower of cost and market - - - - -	1,238,259	1,397,543
Prepaid expenses - - - - -	332,503	390,106
Total current assets - - - - -	<u>5,016,783</u>	<u>5,786,821</u>
Investment in McGavin ToastMaster Limited (at cost):		
402,500 fully paid non-assessable non-voting Class A common shares without par value - - - - -	402,500	402,500
Fixed:		
Land—cost - - - - -	409,362	415,262
Buildings—cost - - - - -	3,813,079	3,841,870
Bakery and other equipment—cost - - - - -	<u>13,148,032</u>	<u>12,155,401</u>
	17,370,473	16,412,533
Less accumulated depreciation - - - - -	9,633,884	8,868,807
	7,736,589	7,543,726
	<u>\$13,155,872</u>	<u>\$13,733,047</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current:</b>		
Bank loans and overdrafts (partly secured) - - - - -	\$ 1,158,840	\$ 2,275,921
Accounts payable and accrued liabilities - - - - -	2,637,862	2,653,399
Estimated income taxes payable - - - - -	518,371	324,986
Dividends payable - - - - -	93,652	93,555
Total current liabilities - - - - -	<u>4,408,725</u>	<u>5,347,861</u>
7% bank loan payable \$200,000 per annum July 15, 1969 to 1972 (secured by 7% serial debentures) - - - - -	600,000	1,000,000
Deferred income taxes - - - - -	<u>1,456,000</u>	<u>1,460,000</u>
<b>Shareholders' equity:</b>		
<b>Capital</b>		
Authorized:		
50,000 preference shares with a par value of \$49 each, issuable in series		
1,000,000 common shares of no par value		
Issued:		
25,000 \$2.75 cumulative preference shares Series A, redeemable at \$52.75 per share - - - - -	1,225,000	1,225,000
305,860 (1967—305,470) common shares - - - - -	83,450	80,365
	<u>1,308,450</u>	<u>1,305,365</u>
Earned surplus - - - - -	<u>5,382,697</u>	<u>4,619,821</u>
	6,691,147	5,925,186
	<u>\$13,155,872</u>	<u>\$13,733,047</u>